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The Fertilizer Situation

AG AND FOOD's field editors have just completed another intensive survey of the fertilizer market, and have come up with evidence that the industry is not merely talking about the situation, but doing something—several things in fact.

Something needed to be done. The mid-season indication in last year's AG AND FOOD survey, that not only total tonnage but also plant nutrient use had slipped, was borne out by the USDA's post-season tabulation of consumption. For the first time in 16 years, nutrient consumption had fallen below the level of the previous year—this in the face of still rising production capacity in most segments of the industry.

The picture for this year is not strikingly brighter over-all, and in some areas the shades of grey have deepened. On a geographical basis, the Southeast and Midsouth in particular are in trouble. But sales in other regions have been reasonably good, on the whole. The encouraging note lies in the promise of better days ahead, as a result of steps that have been initiated or accelerated this year.

In their drive to boost sales, forward-looking producers are tending away from price cuts and questionable credit practices, toward more advertising, more dealer and farmer educational meetings, more training for salesmen, and more field demonstrations. They are seeking out new customers, both at home and abroad, working with old customers to narrow the gap between recommendation and practice, and concentrating on improvement of their products. They are giving greater attention to the value of public relations, and in some areas are banding together in support of local or regional educational and sales-promotion programs. Selling service has become almost as much a part of the business as selling products.

At the national level, the National Plant Food Institute has launched a survey to evaluate the factors which influence the farmers to buy fertilizers, and is pushing plans for an accelerated promotional program to achieve greater fertilizer acceptance. To be conducted in harmony with the recommendations of the land-grant colleges and other recognized agricultural agencies, it should help materially to reduce the gap between recommendation and use. Both as a direct influence and as an example of forward-looking activities that can be pursued by other groups, the NPFI program should contribute heavily to the drive for bigger fertilizer markets.

Even with larger sales, of course, the industry will not have solved all its problems. For as our staff survey (beginning on page 414 of this issue) shows, better profits do not result automatically from higher sales. Even in those regions of the country where sales are up this year, profits are generally slim. To operate in the black, manufacturers must still—and increasingly—improve efficiency and shave costs to the minimum. Profits can be made in the fertilizer industry, but it isn't easy.

If, however, the "hard sell" efforts now under way are successful in restoring an upward trend to the fertilizer consumption curve, one of the major drags on profit can be removed. In the face of widely proclaimed estimates that farmers could profitably use at least twice as much plant food as they now do, and that they can actually earn a net profit of $2.00 for every $1.00 properly invested in fertilizer, it seems remarkable that any—let alone 25–50%—of the industry's production capacity could stand idle.

Much has been said about this idle or "surplus" capacity. But we are inclined to agree with a Midwestern co-op director who says of over-capacity: "There actually isn't any." What we face, instead, is under-consumption.